



1521 New Hampshire Avenue, N.W.
Washington, DC 20036
(202) 745-7805 • FAX (202) 483-4040
www.cotton.org

PRODUCERS • GINNERS • WAREHOUSEMEN • MERCHANTS • CRUSHERS • COOPERATIVES • MANUFACTURERS

Testimony
Of
Woody Anderson
National Cotton Council Vice Chairman
Before
House Agriculture General Commodities Subcommittee
September 24, 2003

Good morning, Mr. Chairman, I am Woody Anderson, a dryland cotton and grain producer from Colorado City, Texas. Colorado City is located in the Rolling Plains of Texas near Abilene. I am a proud constituent of Congressman Charlie Stenholm. I am here today representing the National Cotton Council and serve as its Vice Chairman.

Mr. Chairman, as an aside, we are pleased to welcome Kansas as the newest cottonbelt state with 125,000 acres planted to cotton this year. We recognize that a considerable portion of the Kansas acreage is located in your 69-county "Big First" district.

The National Cotton Council is the central organization of the United States cotton industry. Its members include producers, ginner, oilseed crushers, merchants, cooperatives, warehousemen, and textile manufacturers. While a majority of the industry is concentrated in 17 cotton producing states, stretching from the Carolinas to California, the downstream manufacturers of cotton apparel and home-furnishings are located in virtually every state.

Annual cotton production is valued at more than \$5 billion at the farm gate. In addition to the fiber, cottonseed products are used for livestock feed, and cottonseed oil is used for food products ranging from margarine to salad dressing. While cotton's farm gate value is significant, a more meaningful measure of cotton's value to the U.S. economy is its retail value. Taken collectively, the business revenue generated by cotton and its products in the U.S. economy is estimated to be in excess of \$120 billion annually. Cotton stands above all other crops in its creation of jobs and its contribution to the U.S. economy.

Mr. Chairman, thank you for holding this hearing on the implementation of the Agricultural Risk Protection Act (ARPA) of 2000. The House Agriculture Committee worked diligently to craft this complex piece of legislation. The Council strongly supported its passage and is pleased to offer these comments regarding its implementation.

Crop insurance is an important risk management tool for cotton producers. I have been farming for 29 years and consider insurance coverage as important as any other

production input. West Texas producers are particularly vulnerable to Mother Nature. For example, in the High Plains of Texas, just to the west of my farm, two separate hail storms destroyed close to 100,000 acres of cotton near Lubbock. Over 1 million acres of the Texas Northern High Plains was hailed-out earlier in the year. Last week, Hurricane Isabel has recently damaged the Carolina and Virginia cotton and peanut crops. This serves to remind us that all cotton producers need a crop insurance product that provides effective coverage at affordable prices.

The Council supported passage of ARPA and has closely monitored its implementation. One of the main attributes of the reform legislation was to make higher levels of coverage more affordable. This year well over 90% of the U.S. cotton crop has some form of crop insurance coverage. ARPA helped to increase this usage. We are pleased to offer the following general observations and recommendations for administration of the crop insurance program.

Accurately rating coverage is critical to an affordable insurance product. USDA's Risk Management Agency (RMA) should continually look for ways to move towards individualized experience rating. RMA should develop a program that rewards "good" loss experience through lower premiums and/or higher levels of coverage. Producers who practice risk-reducing cultural practices, such as planting improved varieties and employing good soil and water conservation practices, should be able to benefit from improved insurance coverage. Producers are not able to benefit from their advanced practices with a county-based ratings system.

Four years ago, at the urging of our industry and with help from Congress, RMA commissioned and implemented a major rate review in a number of Cotton Belt regions that resulted in significant adjustments. This review determined that the actual county experience did not reflect the latest trend yields due to overall low participation by producers and those who did participate had abnormally poor yields. Adjustments were made to the county figures and rates, and in some cases there were significant adjustments. We want RMA to continue to evaluate and improve its rating methodology.

Private companies and RMA should continue to develop innovative types of coverage to reflect special regional needs. We suggest more emphasis be placed on development and delivery of Group Risk Protection (GRP) as a viable alternative to CAT coverage. Some regions of the country believe that the addition of subsidized hail coverage to GRP would be extremely valuable. This would provide a degree of producer-specific coverage as well as more meaningful catastrophic loss protection than current CAT coverage.

We would encourage RMA and private companies to develop insurance products for processing segments of production agriculture to cushion them when there are catastrophic production losses. It is unclear the procedure or the availability of assistance from the Small Business Administration for these processing segments. When a cotton crop is destroyed by natural disasters, ginners, warehousemen and other parts of the processing chain are impacted. This is particularly true for cotton gins, a majority of which are owned by producers.

NCC supported the development of a cost of production insurance product. We have been disappointed by the slow development of this product by RMA. We understand that research has been completed and a pilot program is being developed. We recommend the pilot be conducted on a wide geographic basis for the 2004 crop so that it can be accurately evaluated. Only after such evaluation will our industry know if it will be a useful product.

With current multi-year droughts seriously impacting water supplies to producers in federal and state water districts in the irrigated West, we want to emphasize the need for continued prevented planting coverage. Currently, federal multi-peril policies provide for prevented planted coverage in cases where water districts can certify that producers would have received historical allocations given normal rainfall or snow pack. We expect these districts will face even tighter water supplies next year based on drought conditions and urge RMA to provide timely guidance to agents, producers and water districts about the availability of preventive plating coverage.

Crop insurance fraud and abuse by producers, agents and adjusters add costs to the government and insurance companies and reduces effective coverage to all producers. Some method of differential rating for producers who have continuous losses that are inconsistent with area experience would benefit other insured growers by lowering their rates. ARPA calls for additional monitoring and tighter enforcement of good farming practices. It is our understanding that RMA possesses new methodology to better track and differentiates losses. We urge them to fully implement the new tools at their disposal to reduce fraud and abuse. In addition, we urge continuation of a close working relationship between RMA and the Farm Service Agency (FSA). We believe that FSA can serve a meaningful role in monitoring compliance with good farming practices for insurance purposes. It is also critical that the two agencies continue the use common databases for sharing information.

A new quality adjustment provision for cotton has been under development by RMA for a number of years. We understand the research has been completed and urge RMA to implement a credible cotton quality loss provision on a bale-by-bale basis with a reasonable threshold of loss. Cotton has the unique ability to preserve identity on a bale-by-bale basis. We believe cotton quality loss provisions should be structured in recognition of the unique bale identity. We also do not believe that it should not be treated as a separate rider to a standard policy at an additional premium.

We remained concerned about RMA's inconsistent policy regarding late planting periods following final planting dates. It has always been RMA's policy to allow producers to plant cotton after the final planting date in exchange for reduced coverage. Currently, the late planting period for cotton is 15 days, but has been as long as 25 days. Our concern stems mainly from the inconsistent implementation of rules regarding appraisals when crops fail to emerge due to insufficient soil moisture. In recent years our industry and several Members of Congress have worked closely with RMA to insure that fair and consistent policies dealing with non-emerged seed are in place. We understand that RMA

must allow adequate time after the final planting date to determine if seed planted into dry soil will receive adequate moisture to achieve a viable stand. We also believe that there is a responsibility to the producer to provide a timely adjustment on non-emerged acres so that alternative management plans can be initiated. It is our understanding that a producer must now wait an additional 8 days after the end of the late planting period before appraisals can be scheduled and loss settlements finalized. This additional waiting period was added in just the past few years in place of policy that allowed appraisals on non-emerged acreage after the end of the applicable late planting period. We have not received a clear explanation for implementation of the new policy, nor any favorable response to our request for changes. This appears to be another case where the agency is attempting to somehow thwart what they suspect is manipulation of multiple crop coverage at the expense of legitimate loss determination. We urge the agency to amend its current practice and return to allowing appraisals on non-emerged cotton acreage no later than 15 days following the final planting date.

In summary, the National Cotton Council supports a crop insurance product that provides effective coverage at an affordable cost. Crop insurance must be developed, delivered and administered as an effective risk management tool and innovative policies must be developed to make crop insurance more useful in various and ever-changing production conditions. We urge this Subcommittee to continue its oversight of the implementation of ARPA to ensure a meaningful risk management tool for producers. On behalf of the Council, we appreciate the opportunity to present these comments.

**Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form**

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2001.

Name: Woody Anderson

Address: 2310 FM 1899, Colorado City, TX

Telephone: 915-728-8416

Organization you represent (if any): _____

National Cotton Council of America

- 1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2001, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:**

Source: _____ **Amount:** _____

Source: _____ **Amount:** _____

- 2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2001, as well as the source and the amount of each grant or contract:**

Source: _____ **Amount:** _____

Source: _____ **Amount:** _____

Please check here if this form is NOT applicable to you:



Signature: Woody Anderson

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

INTRODUCTION

Woody Anderson

**Cotton Producer, Colorado City, TX, and
Vice Chairman, National Cotton Council of America (2003)**

Woody Anderson was elected vice chairman of the National Cotton Council of America in February, 2003 at the Council's annual meeting.

Co-owner of Anderson Farms in Colorado City, TX, Woody has been an active leader in the U.S. cotton industry. He served as a Council director in 2002, as vice chairman for the American Cotton Producers from 1996-2002, and as chairman of the Council's Crop Insurance Committee from 1995-2001.

Anderson also has been active in Texas, where he currently is a director of the Rolling Plains Cotton Growers and the Producers Coop Gin; chairman of the Texas Boll Weevil ~~Eradication Foundation~~; an advisory committee chairman of the Texas Agriculture Policy Board and a member of the Mitchell County Soil and Water Conservation District.

He also has chaired the Texas State Farm Services Agency Committee and served as a producer member of the Cotton Board and USDA's Cotton Classing Standards Committee.

Anderson, who earned a bachelor's degree at the University of Texas at Austin, is a charter board member of First National Bank in Colorado City and a member of the Mitchell County Appraisal District Advisory Board.

Among the community awards he has received are Colorado City Chamber of Commerce Outstanding Farm Family, Colorado City Citizen of the Year and Colorado Jaycees Distinguished Service Award.

A member and lay leader of First United Methodist Church in Colorado City, Woody and his wife, Susan, have a son and a daughter.